MEMORANDUM FOR: Director, National Foreign Assessment Center FROM: James P. Lynch Chairperson, CHALLENGE Steering Group SUBJECT: Report on Meeting of CHALLENGE Steering Group, 20 December 1979 ATTENDEES: Steering Group Members James P. Lynch, D/GCR, Chairperson R. E. Hineman, DD/NFAC Cting D/OER DD/OIA Non-Members anagement Staff, NFAC Project Officer/Petroleum Analysis Project (PAP) Ch/ERAC/OGCR PSAC/OER PSAC/OER	
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 The following topics were discussed at the subject meeting: 	
25X1 DOE via OER, and another was expected from DOE by early January. On that basis, a contract proposal for the engineering work is already being processed through NFAC management. A discussion of the available funding options ensued	<1 (1
(Attachment A), with the Chairperson recommending Option 2 25X1 for FY 1979). stated there would be a program	
spending review in late January, at which time he felt confident the additional could be identified—though there might be strong competition from elsewhere in NFAC for the available monies. The principal impact of reduced funding would be a delay in the program schedule.	
Action: DD/NFAC concurred in the selection of the 25% target and directed to conduct the search for funds 25% during the January review. The initial contract for 25% will be let immediately.	(1 (1
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cc: Each Attendee

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PETROLEUM ANALYSIS PROJECT FUNDING OPTIONS

The uncertainty of FY 1980 funds availabilities for the
Petroleum Analysis Project led the CHALLENGE Steering Panel
at its meeting on 21 November to direct the preparation of
an options paper identifying and examining a range of funding
options, varying from a fully-funded scenario at the 25X
level to a split-funding scenario at the level in which 25X
FY 1981 funds would be used for the last three months ϵ
calendar year 1980. Given this range, five options emerge. The
advantages and disadvantages of each of these options (which
are arranged in sequence according to their impact on the
Project's ability to accomplish its mission and work plan
as defined in the previous section) are examined below.

Option 1-- (Full funding) for the Period 1 January to 31 December 1980

This option would provide for full implementation of the work schedule associated with the Field Assessment Plan already defined.

Advantages:

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- --Optimal utilization of contractors and personnel resources available to the Project
- --It would provide a suitable production year as the basis for a fair NFAC evaluation of the merits of continuing this type of approach to petroleum analysis

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Disadvantages:

25X1	- would have to be shifted to PAP from other NFAC	
	external-fund programs in FY 1980	25X ²
25X1	Option 2 for the Period 1 January to 30 October 1980	
	Under this arrangement, the monthly spending level through	
	FY 1980 would be approximately the same as under Option 1, but	
	funds for the last three months of CY 1980 would have to be	
	obtained from FY 1981 fiscal resources.	25X1
	Advantages:	
	Work scheduling would not be significantly disrupted	
	in the Project for the first nine months of CY 1980	
	Desired levels of effort would remain the same as under	
	the full-funding scenario for FY 1980, and appropriate training	g
	and travel could be accomplished	25X1
	Disadvantages:	
25X1	would have to be shifted to PAP from other NFAC	
	external-fund programs in FY 1980	
	Work scheduling would probably be disrupted at the	
	beginning of FY 1981, as new FY funds are not usually released	
	until November or December, and contract implementation would	
	require additional delays; such a disruption could occur at a	
	critical time just before the 1981 Project review.	25X1
25X1	Option 3- for the Period 1 January to 31 December 1980	
	The monthly spending level under this arrangement would be	;
	reduced approximately 25 percent throughout CY 1980.	25X1
	-2-	25X1
	Opposite	∠3∧ I

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Advantages:

--Contractor scheduling could be more flexible, allowing for unanticipated changes in the basic assumptions underlying the work plan

--More time would be available for internal staff training and work on spin-off projects/short analysis articles

Disadvantages:

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25X1

25X1

-- Reduced contractor availability due to funds limitations would result in the following changes to the work schedule:

> April 1980--Complete November 1980 -- Complete April 1981--Complete September 1981--Complete

would still have to be shifted to PAP from other NFAC external-fund programs in FY 1980

--Contract monitoring work by the staff and professional training would be reduced and/or delayed until FY 1981 funds are available

Option 4for the Period 1 January to 30 October 1980

The monthly spending level under this arrangement would represent a 34 percent reduction from the full funding level

Advantages:

- -- No disruption of funding for other NFAC programs
- -- PAP staff could accomplish considerable front-end collateral and geologic analysis work for fields to be studied in FY 1981 25X1 (assuming full funds are available for FY 1981)

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Disadvantages:

--Reduced contractor availability due to funds limitations would result in the following changes to the work schedule:

> May 1980--Complete January 1981 -- Complete July 1981--Complete December 1981--Complete

-- Contract monitoring work by the staff and professional training would be delayed until FY 1981 funds are available

--NFAC assessment in the January 1981 review would have to be based on significantly reduced capabilities for the Project

--Work scheduling would probably also be disrupted at the 25X1 beginning of FY 1981, as in Option 2 above, with the same effects

for the Period 1 January to 31 December 1980 Option 5-

The monthly spending level under this arrangement would represent a 50 percent reduction from the full funding level.

Advantages:

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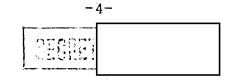
- --No disruption of funding for other NFAC programs
- --One photointerpreter would be free to work at least halftime on other projects for PAP or his parent office 25X1

Disadvantages:

-- Reduced contractor availability due to funds limitations would result in the following changes to the work schedule:

> 25X1 June 1980--Complete April 1981--Complete Remainder of schedule dependent on FY 1981 funding

-- No training or contract monitoring travel during 1980



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PETROLEUM ANALYSIS PROJECT FIELD ASSESSMENT PLAN

Until now, the field assessment work accomplished by Project CHALLENGE has proceeded in a manner that would both satisfy DD/S&T/ORD research and development objectives and provide significant intelligence on key Soviet petroleum-producing fields. The status of field assessment work to date is as follows:

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Initial analysis work on including prediction scenarios for Soviet-planned installation of gas-lift equipment, was completed in June 1978. Monitoring of production data and further Soviet development of this field, which accounts for 25% of their petroleum production and is of critical import to their future plans, showed the need for further analysis; a revised assessment taking into account infill drilling and a number of other new assumptions was completed in November 1979.

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Analytical work on the second largest producing field in the USSR, has been completed, and the Field Analysis Report will be completed in typescript in the next several weeks. The size, complexity, and "age" (in terms of its advanced position along the production curve) of this field dictated a modified analytical approach: rather than using a full numerical reservoir simulator for the whole field, other forms of intensive assessment (analogous area studies and

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decline-curve analysis) were employed to obtain the conventional recovery forecast. A selected portion of the field was, however, simulated to provide a basis for use of a special enhancedrecovery model to forecast the effect of Soviet plans to employ CO, injection techniques there in the future.

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Collateral research and preliminary subsurface-geologic analysi for the third largest Soviet field, are essentially complete, and during December initial photogeologic and engineering analysis will begin.

Future Field Assessment Work

From the production viewpoint, an optimal field assessment plan for the Petroleum Analysis Project would be predicated on the following assumptions:

- --Maximum contractor involvement with full funding
- -- A PAP team consisting of a manager, geologic analyst, collateral analyst and three trained PI's (all full-time)
- --Timely completion of external front-end analysis work in USGS, and of collection efforts in other Agency components
- --Adequate ADP support at the appropriate time
- --Minimal diversion of personnel resources to other work
- --Availability of sufficient data to preclude radical shifts in analytical direction and the attendant delays Given these assumptions, the Project analytical team should be able to accomplish the following work schedule, in which work

January 1980--Complete Analysis Report (FAR)

completion dates are listed:

analysis and Field

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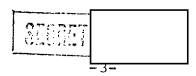
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March 1980Complete Field analysis and FAR
August 1980Complete analysis of Field, a rapidly-rising producer in Western Siberia that is overtaking (or has overtaken) position as third-place producer, and complete FAR
December 1980Complete Analysis of leading producer, and associated FAR

Upon completion of this schedule, intensive field analysis efforts would probably focus on other Soviet and Chinese fields, along with key fields in other areas of the world where crucial production scenarios and a paucity of data dictate thorough analysis. Assessment priorities would similarly be determined through joint consultation with OER.

The only anticipated diversion of Project resources during the above planning period will occur during the January-March 1980 time period, when at OER's request the Project geologist will work with the photogeologic contractor to develop quick technical assessments of the many smaller fields in the West Siberian producing region to provide a basis for a regional model of that area. The effect of this diversion should be minimal, and is incorporated into the schedule.



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